

RAILWAY CONVENTION COMMITTEE (2009)

(FIFTEENTH LOK SABHA)

FIFTH REPORT

ON

**RAILWAY'S PARTICIPATION IN THE
DEVELOPMENT OF BACKWARD REGIONS**



**LOK SABHA SECRETARIAT
NEW DELHI**

December, 2012 / Agrahayana 1934 (Saka)

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Presented in Lok Sabha on 19.12.2012

Laid in Rajya Sabha on 19.12.2012



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NEW DELHI**

December, 2012 / Agrahayana 1934 (Saka)

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**RAILWAY CONVENTION COMMITTEE
(2009)**

Shri Arjun Charan Sethi, MP - *Chairman*

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3. Dr. Baliram
4. Shri Marotrao Sainuji Kowase
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* Nominated *vide* Bulletin dated 15.02.2012 as Member of RCC vice Vacancy caused on account of resignation of Shri K. C. Venugopal, MP from the Committee w.e.f 21 December, 2011.

** Ceased to be a Member of the Committee on his retirement from Rajya Sabha on 27.01.2012. Re-nominated *w.e.f.* 02.02.2012 *vide* Bulletin Part-II No. 3634 dated 06.02.2012.

*** Nominated *w.e.f.* 10.10.2012 *vide* Bulletin Part-II No. 4545 dated 18.10.2012.

(iv)

INTRODUCTION

I, the Chairman, Railway Convention Committee (2009), having been authorized by the Committee to present the Report on their behalf, present this Fifth Report on Railway's Participation in the Development of Backward Regions'

2. The Indian Railways are participating in the development of backward areas and are engaged in building a Rail Transport Infrastructure by construction of new lines and conversion of Metre Gauge / Narrow Gauge lines to Broad Gauge (BG) selectively to have industrial and economic development of those areas, which though have potential for growth, have not been able to develop for want of rail connectivity.
3. The Railways have a huge throw forward liability of ongoing projects including projects in socially and economically backward areas. Due to this throw forward liability and limited availability of resources, various alternatives are being explored to generate funds. There is an urgent need to take firm steps to improve their operating ratio for overall well being of the financial health of the railways and to take all possible measures to augment their resources to meet their prioritized and essential capacity enhancement requirements. The Committee took evidence of the officials of the Ministry of Railways, Ministry of Finance and Planning Commission on 29.11.2011, 26.09.2012 and 07.11.2012 on the subject.
4. The Committee considered and adopted this Report at their sitting held on 13.12.2012. The Minutes of the sittings of the Committee are appended to the Report.
5. The Committee express their thanks to the officials of the Ministry of Railways, Ministry of Finance and Planning Commission for placing before them their frank views and for furnishing information desired by the Committee.
6. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

New Delhi ;
18 December,2012
27 Agrahayana, 1934 (Saka)

ARJUN CHARAN SETHI,
Chairman,
Railway Convention Committee.

REPORT

CHAPTER – I

INTRODUCTION

Background analysis

The Indian Railways is the third largest railway network in the world in terms of size, the world's topmost passenger carrier and fourth largest rail freight carrier. Also, the Indian Railways is the world's largest Government Railways. Its network of over 64,460 route-kms has integrated markets and connected people over widely spread out geographies across the length and breadth of the country. With more than 19,186 number of trains plying, carrying about 21 million passengers and hauling about 2.5 million tonnes of freight every day, i.e over 900 million tonnes of freight in a year. The Indian Railways is not only significantly contributing to the economic growth of the country but also promoting national integration.

2. The Indian Railways is the backbone of India's transport infrastructure, alongwith the national highways and ports. Moreover, for certain core infrastructure sectors such as coal, power, steel and cement and other critical sectors like fertilizer, the share is much higher, in some cases it is as high as 70%. The Indian Railways employs 1.4 million employees directly and several times larger the number indirectly through forward and backward linkages. The quality, capacity and the performance of Indian Railway's infrastructure, therefore, is of crucial importance for nation building.

3. Participation of the Indian Railways in the development of backward regions is of crucial concern which needs urgent coordinated action. The Indian Railways has extensive infrastructure in the country which can be effectively put in use to develop the backward regions of the country. The Indian Railways has been striving to bring the remotest and unconnected areas to the mainstream of the country by providing better connectivity through Broad Gauge Links. Many

projects including New Lines, Gauge Conversion, construction of Mega Bridges *etc.* have been taken up after Independence to achieve the objective of inclusive growth so that people in the most backward and the remotest places come into the mainstream and share the fruits of national development. Railway's efforts have brought many tangible and intangible benefits including direct and indirect employment to the inhabitants of the areas which have been connected with the Railway network.

4. Against this backdrop, the report of the Committee *inter-alia* covers the important aspects of the subject 'Railway's participation in Development of Backward Regions'. In the approach paper to the Twelfth Five Year Plan, the Government have emphasized that further expansion of the railway network is called for, not only in its existing alignments, but also for developing access to areas hitherto not being served by the Railways such as tribal areas, Left Wing Extremist (LWE) districts and some of the hill regions where it is possible to build such network.

* * *

CHAPTER-II

PROJECTS TAKEN UP ON SOCIO-ECONOMIC CONSIDERATIONS

5. Provision of rail network does act as a catalyst for accelerated growth and reaches out to the poorer and vulnerable sections of the society. A large number of new line and gauge conversion projects have been taken up for development of backward, tribal, remote, hilly and other under developed areas..

6. The Ministry of Railways in a written note stated that economic growth of backward regions is dependent on other factors also, apart from the availability of rail network. In reply to a question, the Ministry of Railways in their written reply stated as follows :

“it is neither physically practical nor financially possible for the Ministry of Railways to provide rail connection to all backward regions.”

I. Categorization of Backward areas for identifying projects

7. According to the Ministry of Railways, there is no laid down policy of State-wise categorization of backward areas. However, keeping in view the developmental indices available, all efforts are made, within the resources available, to provide connectivity to the less developed and remote regions in the country for promoting inclusive growth. Projects are identified based on demands from public representatives, the State Governments or as a part of some developmental plan / strategic plan. Amongst the projects approved, there could be some which do not give the benchmark returns but are still considered desirable on socio-economic considerations.

8. When asked about the projects in socially backward regions, the Finance Secretary submitted before the Committee as follows:

" In the Finance Ministry and in the approval of projects from the Planning Commission, there is no such distinction. We have national projects of the Railways; and then we have strategic railway lines. Other than that, there are general projects, which are funded through GBS as well as through their internal resources. Otherwise, there is no definition with us for the socially backward

regions. This has never been utilised for approval of any projects in the Railways."

9. Elaborating on the matter, Secretary, Planning Commission stated:

"As of now, backwardness has a certain definition under the backward regions and backward districts. At the moment, the national projects and the strategic projects within the Railways broadly fall within that ambit."

10. She further added:

"In addition, Planning Commission or rather the Government of India funds 90 per cent of the plans of the Special Category States. These are also the States which are falling in any criteria of backwardness. They will come in that. So, my submission to the hon. Committee would be that the Railways need not more money but they need to do more with less and produce more and better outcome."

11. The Ministry of Finance in this regard in their written replies stated as follows:

"Each Ministry has its own parameters to identify socially backward regions like the EAG States under NRHM, High focus districts for ICDs, Nirmal Bharat Abhiyam etc. The Ministry of Finance does not define / identify socially backward regions. It is done by the line Ministries".

12. Explaining the basis for identifying projects on socio-economic considerations, the Ministry of Railways in a written reply stated as follows :

“Present and expected traffic on socially or strategically important projects and rate of return is assessed considering capital cost of construction, operation and maintenance and earning potential of the proposed line. Projects having rate of return (ROR) of more than 14% are considered financially viable. Projects are also taken up on socio economic considerations even in cases where ROR is less than 14%.”

13. Though identification of backward regions and a comprehensive plan for their development is under the purview of Planning Commission, National Development Council etc. Railways are pro-actively contributing to the development of backward areas and are engaged in building Rail Transport Infrastructure by construction of new lines and conversion of Meter Gauge/Narrow Gauge lines to Broad Gauge (BG) selectively to have industrial

and economic development of those areas which, though have potential for growth, have not been able to develop for want of rail connectivity.

14. On being asked about the details of projects in backward regions, the Ministry of Railways have stated in their written reply as follows:

“The details of projects are maintained zone wise and project wise and there is no classification of ongoing projects on the basis of backward, tribal, and underdeveloped areas.”

II. Ongoing projects taken up on socio-economic considerations

15. Explaining the achievement of targets during the Xth Five Year Plan, the Ministry in a written reply stated that:

“During X Five Year Plan, 920 km of New Line and 4289 km of Gauge conversion were completed. As against 920 km of new line and 4289 km of Gauge conversion completed in X five Year Plan, in first four years of XI Five Year Plan, 1480 km of new line and 4465 km of gauge conversion have been completed and 1075 km of new line and 1017 km of gauge conversion were targeted for completion during 2011-12.”

16. The Ministry of Railways also provided Year-wise achievement vis-à-vis revised / proportionate targets fixed during the 11th Five Year Plan period as under:

(in kms.)

Year	New Line		Gauge Conversion	
	Target (Revised)	Achievement	Target	Achievement
2007-08	150	156	1550	1549
2008-09	250	357	1566	563
2009-10	200	258	1225	1516
2010-11	700	709	834	837
2011-12	700	727	825	856
Total	2000	2207	6000	5321

17. A list of ongoing new line and gauge conversion projects of Indian Railways taken up primarily on socio-economic considerations is given in **Annexure-I**. During the year 2011-12, 13 projects consisting of 11 New Lines,

and 2 Gauge Conversion were included in the Railway Budget. Out of these 13 projects, 5 New Line projects were taken up on cost sharing basis with respective State Governments. 4 new line projects of Hansdiah-Godda, Wadsa-Gadchirolli, Gudue-Durgarajpatnam & Jhargram-Bhadutoal were taken up in extremist infested, remote and backward areas for providing connectivity and development of the region. Moreover, after June 2010, 5 New Lines and 5 Gauge Conversions projects which were taken up on socio-economic considerations have been completed. As of now, there are about 139 projects which have been taken up primarily for development of rail connectivity in backward, tribal, remote, hilly and other under developed areas.

18. The Ministry of Railways, explaining about pending ongoing new lines, gauge conversion and doubling proposals w.r.t. socially desirable projects stated in their written reply: -

“Indian Railways is presently executing 129 new line and 45 gauge conversion projects. Out of these 106 new lines projects are having rate of return less than stipulated 14% and have been taken up primarily on socio-economic considerations despite lower rate of return. An outlay of ₹ 6413 crore has been provided for the purpose. In gauge conversion, 33 projects with rate of return less than 14% covering a length of 7104 km have been taken up primarily on socio-economic considerations and an outlay of ₹ 1982 had been provided during the year 2011-12 for the same.”

19. Explaining it further the Member (Engineering), Ministry of Railways stated during evidence: -

“There are 106 new lines projects in the socially backward areas. The length of which is 11,470 kilometers. The cost is ₹ 85,925 crore out of which we have spent ₹23,000 crore and balance ₹ 62,000 crore is the throw-forward which is yet to be spent for completing those projects. There are 33 gauge conversion projects totaling a length of 7,105 kilometers and their cost are about ₹24,000 crore out of which about ₹10,000 crore have been spent and ₹14,500 crore is throw forward. We have provided this year ₹6,000 crore plus for the new line projects and at this rate the completion will take not less than ten years.”

20. Regarding the projects which were sanctioned during the last five year plan (XIth Five Year Plan) under new line and gauge conversion, (including the project on socio-economic consideration), the Ministry of Railways provided the information as follows:

Plan Head	Details	2007-08	2008-09	2009-10	2010-11	2011-12	Total
New Line	No. of projects	8	20	1	11	11	51
	Length of km	892.68	2145.42	63.1	680.82	1165.9	4947.92
	Estimated Cost (₹ in crore)	4261.68	11762.6	815.16	11580.9	7047.65	35467.99
Gauge Conversion	No. of projects	4	6	0	4	2	16
	Length of km	924.76	1571.77	0	678.85	359.22	3534.6
	Estimated Cost (₹ in crore)	2729.51	3990.78	0	2825.04	1155.63	10700.96

21. A list of ongoing socially desirable projects taken up during 2011-12 and 2012-13 as furnished by the Ministry of Railways is at **Annexure-II**. These projects have though not been considered justifiable on the basis of financial rate of return yet have been taken up primarily on socio-economic considerations.

22. During the evidence, the representative of the Ministry of Railway apprised the Committee as follows:

“In his Budget Speech for the year 2012-13, the Hon’ble Minister of Railway had mentioned that 114 socially desirable projects would be taken up in the 12th Five Year Plan. Out of these 114 projects, we have completed the survey in respect of 94 projects. We have received the survey reports in 66 cases and another 28 cases the survey reports are under preparation in the respective Zonal Railways. These survey reports are under examination in the Ministry in various Directorates. The length of these projects is more than 7,000 kilometres, 7,137 kilometres to be precise. The money required will be ₹1,10,000 crore for these 66 Project Reports which we have received. For these 114 projects, it is estimated that the money required will be about ₹1,70,000 crore. This is in addition to the throw forward cost of all the sanctioned projects of ₹1,25,000 crore. So, in total we will require about ₹3,00,000 crore for realization of these projects.”

23. The Ministry of Railways in a written reply apprised that as on 31.12.2011, report in regard to 17 surveys out of the 28 surveys under preparation in respective Zonal Railways (out of the 114 projects proposed for 12th Five Year Plan) have been received in the Railway Board (**Annexure-III**) and these are in various stages of examination. Thus as on 31.12.2011, 83

surveys reports have been received in Railway Board. Remaining 11 surveys reports are under examination in various Railways are expected to be received soon.

24. Responding to the queries about the progress and the target date of completion of the various projects such as Balurghat-Gajol-Itahar, Udhampur-Katra, Katakhal to Bairabi, Lumding-Silchar, Pandurangapuram-Sarapaka, Manoharabad-Kotapalli, Wadsa-Gadchiroli, Baramulla to Banihal, Katra to Banihal, Wardha-Nanded, Nayanpur-Jabalpur and Balaghat-Katangi, the Ministry in a written reply stated as follows:

- (i) Balurghat-Gajol-Itahar – This is part of Eklakhi to Balurghat project (87km commissioned on 30.12.2004. Detailed estimate sanctioned. Gazole-Itahar (26 km) – Action initiated for land acquisition. Payment of land also deposited with Distt Collectors. Two packet tender for earthwork, minor bridge, major bride, station building, L-xings and ancillary works has been opened but discharged due to non-completion of land acquisition. Tender for x-ing facility at Gazole station finalized. FLS for Itahar-Raiganj section started.
- (ii) Jammu-Udhampur-Completed and commissioned .
- (iii) Katakhal to Bairabi – The work has been planned for completion alongwith gauge conversion of Lumbding-Silchar by Dec 2012. Earthwork, bridges and track work are in various stages of execution. 29.40 km track linked out of total 84 km.
- (iv) Lumbding-Silchar – Lumbding –Silchar project covers Barak valley and adjoining areas where law and order situation was very bad and on number of occasions work had to be suspended due to attack on contractors' camp by militants. Secondly, connectivity including road conditions is very bad affecting movement of men, material and machinery. In order to create conducive environment for project execution, dedicated TA battalions chargeable to project have been created and deployed at project site. Subsequent to this deployment, execution of project has picked up since 2009. Presently, earthwork, bridges, tunnels are being executed in entire stretch. Entire section is targeted for completion by Dec 2013.
- (v) Pandurangapuram-Sarapaka- No such project is sanctioned.

- (vi) Manoharabad –Kotappali – Estimate under sanction. Work will be taken up after sanction of estimate and acquisition of land.
- (vii) Wadsa-Gadchiroli - New project sanctioned in 2011-12. Presently preliminary activities are in progress.
- (viii) Baramulla to Banihal – Baramulla to Qazigund completed and commissioned. Qazigund – Banihal is in advance stages and targeted for completion during 2012-13.
- (ix) Katra to Banihal – Project falls under difficult and virgin Himalayan ranges and is targeted for completion by Dec 2017.
- (x) Wardha-Nanded – Part estimates sanctioned. Earthwork and bridges taken up.
- (xi) Nayanpur-Jabalpur – This is part of Gondia-Jabalpur GC project. Forestry clearance for this project has been denied by MoEF. Mater is being followed up with MoEF.
- (xii) Balaghat –Katangi – Completed and commissioned.

25. On being asked about the delayed ongoing pending projects which have been taken up on socio-economic considerations, the Ministry of Railways in a statement (**Annexure-IV**) submitted that there are 41 new line projects which are more than 10 years old. On examining the statement carefully it was found that the 12 projects are 15 years old in 7 railway zones and 6 projects are pending for over 20 years in 5 railway zones. The physical progress of these projects varied from 0.0% to 99% and 26 projects had physical progress of more than 50%.

26. In one of the projects Macherla – Nalgonia (92 km stretch) of South Central Railways which was approved in 1997-98 with an anticipated cost of ₹ 363.26 an expenditure of only ₹0.27 crore has been made with a physical progress of 0.0% with Estimates under progress. The Ministry of Railways have stated that funds constraints is the reason for non-performance. Another project of East Coast Railway Daitari-Banspani (155 km) which was approved in 1992-

93 with 99% progress is awaiting completion for same reasons for delay, that is, fund constraints.

27. The Ministry of Railways in a written reply informed that only one project of Howrah-Amta, Bargachia-Champadanga-Tarakeshwar, Amta-Bagnan and Janghipara-Furfurasharif sanctioned more than 30 years ago is still in progress. On this project, original sanctioned work of Howrah-Amta has already been completed and commissioned. Bargachia-Champadanga has been delayed as State Government has been unable to provide land free of cost even though the same was originally agreed in 1973. Rest of the sections have been sanctioned as material modifications in recent past and are under various stages of execution.

28. When asked for the reasons for delay in commissioning of the socially desirable projects, the Ministry in a written reply stated : -

“Railways have huge throwforward of pending ongoing projects and limited availability of resources and as a result, resources are thinly spread leading to time and cost overrun besides projects also get delayed due to delay in forestry and other clearances, poor law and order situations and failure of contracts. The Railway is making efforts to generate funds through non gross budgetary sources as sharing of cost of project with State Government / beneficiaries, execution of work through RVNL with private participation etc. Forestry and law and order issues are also being coordinated at appropriate level for expeditious decision. Further projects not sanctioned have been frozen. The projects are being executed as per availability of resources which causes slow progress of projects with lesser allotment.”

29. The Ministry of Railway further stated that the Indian Railways put its earnest efforts to complete the various projects in time depending on the availability of resources and relative priority of the projects. As on 01.04.2011, Railways has a throw forward of ₹1,25,000 crore against which the fund allocation including generation of internal resources is only ₹10,000-₹14,000 crore. In addition to paucity of funds, projects are also delayed due to delay in

land acquisition, Forestry & Environment clearances, difficult law and order condition, contractual failures etc.

30. On being asked about the steps taken by the Ministry for expeditious completion of projects taken up on socio-economic considerations, the representative of Ministry of Railways submitted before the Committee as follows:

“Capital and time intensive infrastructure projects have long gestation period and the public demand always outstrips the ability to fulfill such aspirations. Consequently, for a people friendly mode of transport like the railways, there is a very huge demand. In pursuit of fulfilling public aspirations, a large number of projects have been approved over the years, creating a huge throwforward liability. In view of the overall requirement being too large and the paucity of budgetary support, resources have remained thinly spread....

Railways have been requesting the States to come forward to contribute their bit towards bringing socially backward areas into the mainstream by providing rail connectivity. To this end, railways have been successful to certain extent, as now some of the states have agreed to provide land free of cost and / or share the cost of the projects. Coordination meetings are being held regularly with the State Governments, Ministries of Forest and Environment, Home etc to find early solution to the issues related with them....”

31. It was further stated :

“..to provide sustained support to ‘Socially Desirable Projects’ a scheme for dedicated funding of such projects has been conceived under the Pradhan Mantri Rail Vikas Yojana, announced in Rail Budget 2011-12....
..the Indian Railways are committed to completing the socially desirable projects that have already been sanctioned and taken up but the required time period will be varying, maybe some may get completed this year and progressively the others will get completed in about ten years’ time. We have accelerated the process of completion of the projects, and more than 700 kilometres of new line we have completed last year, which was double than the best ever that we have done. This year, we will exceed that figure. So, all that is possible within our resources we are doing, and we are committed to improve the situation.”

32. When asked about what special initiatives are taken / being taken by the Indian Railways to complete the execution of pending works on priority basis in the border areas, the Ministry of Railways in their written reply stated :

- “(i) Eleven projects covering 9 new lines and 2 gauge conversion projects of Northeast region have been declared as National Projects;
- (ii) On northern border, requisite funds are provided for Udhampur-Srinagar-Baramulla project as additional to Gross Budgetary Support by the Ministry of Finance.
- (iii) New Line project connecting Rishikesh to Karnprayag has been sanctioned recently. Ministry of Finance shall be providing entire funding for this strategic line for which presently geological investigation have been taken up;
- (iv) Regular meetings are held with Ministry of Defence/Army and priority indicated by Defence/Army is given due consideration while allotting funds for various projects;
- (v) Surveys for new lines required on strategic considerations have also been taken up as per priority indicated by Ministry of Defence/Army”

33. Explaining the need to reprioritize the pending projects by the Ministry of Railways, the Planning Commission in a written reply stated as follows:

"Reprioritization forms an essential component of the guidelines of the Planning Commission circulated to all Ministries including Railways. The guidelines clearly states that in case requirement of funds is higher than the availability, the Ministry/Departments should undertake a reprioritization exercise. After obtaining 'in-principle' approval and tying up financial resources, the Ministry/department would process the scheme /project to obtain necessary approvals as per existing delegation of powers. The Ministry of Railways is expected to comply with these guidelines at the time of proposing additional funds during the Annual Plan discussions.

Planning Commission has been emphasizing upon Ministry of Railways for reprioritization during finalization of annual plan as well as during other meetings where the issue of large number of pending projects / time and cost overrun etc are deliberated upon. As a result of the discussion, the Ministry of Railways has recently decided to prioritize these projects for sanction where financial resources are fully committed."

34. Emphasizing the need for internal prioritization and re-prioritization of pending projects by Ministry of Railways, the Ministry of Finance in their written reply stated as follows:

"The Ministry of Finance had requested for the prioritization of these throw-forward projects *vide* Ministry of Finance O.M dated 31.10.2012 but the response is yet to be received. Railways are also responsible for taking up the projects on socio-economic considerations and timely completion of such projects by prioritizing them.... this Ministry has been suggesting while making submissions to the Committee that Railways may be directed to complete, especially those last mile projects, the projects on priority basis so that the number of pending on-going projects is minimized."

35. On being asked to enumerate specifically the strategy of the Ministry to address the managerial and organizational deficiencies in project execution and to meet the challenges of massive capacity creation with in a period of 10 years in consonance with the objectives of Vision 2020, the Ministry of Railways in a written reply stated as follows:

“Railway has been constantly examining the impediments in project execution and steps are being taken to eliminate / minimize the same for improving deliverance of the projects. Empowerment of field units has been taken up for effective decision making at appropriate level. Further, with enhanced powers, Railways have been able to plan and execute works through bigger value contracts attracting bigger and more professional firms. Land acquisition is also now being taken up under Indian Railways Act thereby reducing dependence on State Govt for this critical activity.”

III. National Projects

36. The Ministry of Railways in a statement enumerated National Projects with assured funding by the Ministry of Finance (**Annexure-V**). It stated that 10 National Projects in North East Regions are in progress with 75% funding by the Ministry of Finance (as additionality) and one project in J&K with 100% funding by Ministry of Finance (as additionality). These projects are Agartala-Sabroom, Bhairabi-Sairang, Bogibeel bridge with linking lines between Dibrugarh and North Bank line, Byrnihat –Shillong, Dimapur-Kohima, Jiribam-Imphal, Sivok-Rangpo, Teteliya-Byrnihat, Lumbding-Silchar incl Migrendisa-

Dittochchera ext. Badarpur-Bairagram and new MM for GC of Bairagra Dulabchera with bypass at Karimgaj and Karimaj –Maishashan, Rangiya-Murkongselek with linked fingers from North-East Region and Udhampur-Srinagar-Baramulla from J&K Region. One projects viz Rishikesh-Karnprayag is also 100% funded by the Ministry of Finance while Bhanupalli-Bilaspur –Beri is also funded by the Ministry of Finance to the extent of 75%.

37. On being enquired about the projects in socially desirable category been converted into National Projects, the Ministry of Railways apprised the Committee : -

“Criteria for declaration of project as National Project was decided in the meeting held in PMO in 2004 as per which projects important from strategic viewpoints in Jammu and Kashmir and Northeastern region and all developmental projects which result in greater integration of these regions with the rest of India could be categorized as National Projects. This concept would not be applicable to other regions of the country. 9 new line and 2 gauge conversion projects of Northeastern region have been declared as National Project along with Udhampur-Srinagar-Baramulla project. These projects have been taken up to provide connectivity to remote and hilly areas which are strategically important and are not justifiable on the basis of rate of return and are socially desirable projects.”

38. The Committee were also informed that the Qazigund-Baramulla section of Udhampur-Srinagar-Baramulla project, which is strategically important as well as important for connecting J&K with the rest of India, has already been completed and commissioned. Udhampur-Katra and Qazigund-Banihal section of this project are also in advance stages and are likely to be completed in 2012-13.

* * *

CHAPTER-III

FUNDING OF PROJECTS ON SOCIO-ECONOMIC CONSIDERATIONS

39. According to Planning Commission out of the total projected resources of ₹ 36,44,718 crore (as per 11th Five Year Plan Document) Gross Budgetary Support was of the order of ₹ 10,96,860 crore of which ₹ 1,20,188 crore was the projection for transport sector and ₹ 63,635 crore was for the Railway. This implies that the Railway share in the Gross Budgetary Support for Transport Sector was 52.95% and 5.80% in the overall GBS reflecting the priority given to Railways. According to the Ministry of Railways as in the month of July 2012, the Indian Railways had a huge throw-forward liability of ₹1,45,000 crore for the ongoing projects and also because of limited availability of resources, various alternatives are being explored by the Ministry of Railways to generate funds.

40. The Ministry of Railway further stated that besides announcements of specific schemes of financing their projects through PMRVY, Railways were making efforts to garner additional resources through cost sharing arrangements with the State, Capital Bonds, entering into Public Private Partnership (PPP) to provide extra budgetary support for financing the projects. The Ministry of Railways have been consistently pursuing the case for separate funds for socially desired projects.

41. When asked about the need to increase in Gross Budgetary Support to Ministry of Railways to overcome the present financial crisis, the Finance Secretary apprised the Committee during the evidence as follows:

"The Gross Budgetary Support to Railways has been much higher than the projected levels. In the Ninth Plan, while approved GBS to Railways was Rs.11,791 crore, the actual GBS provided was Rs.15,551 crore and in the Tenth Plan, against an approved GBS of Rs.27,600 crore, the actual GBS provided was Rs.37,515 crore. Even in the last concluded Eleventh Plan, in spite of the financial difficulties, the GBS to Railways has been Rs.71,492 crore against the approved GBS of Rs.50,063 crore.

On the other hand, the IEBR of Railways during the Eleventh Plan, which was projected at Rs.1.69 lakh crore, has fallen short of the target substantially with actual realization being only Rs.1.16 lakh crore. In short, while the GBS to the Railways exceeded by 43 per cent of the budget; the IEBR fell short by 31 per cent during the Eleventh Plan period. The Ministry of Finance has provided additional support in the form of tax free bonds worth Rs.25,000 crore between 2009-10 and 2012- 13. The Railways clearly, in this backdrop, need to take firm steps to improve their operating ratio for the overall well being of the financial health of the Railways and also review their resource position and to take all possible measures to augment their resources to meet their prioritized and essential capacity enhancement requirements.

The Gross Budgetary Support to Railways (including diesel cess and funds) which has been provided for the national projects was increased to practically double from Rs.10,319 crore in 2008-09 to nearly Rs.18,000 crore in 2009-10. Thereafter, GBS to Railways has stayed at a further elevated level with the current year's allocation being Rs.25,102 crore. In this backdrop, though the need for capacity augmentation of Railways is undeniable but with limited resources available from GBS, Railways need to look for ways to generate higher Internal and Extra Budgetary Resources and also make efforts for attracting higher private investment."

42. When asked about GBS especially in view of the fact that the Railways are taking up socially backward and non-remunerative projects and sharing the social responsibility of the Government, Planning Commission in their written replies stated as follows:

"At the beginning of 11th Plan period, the GBS for Railways was envisaged at 27.3%, Internal Generation (IG) at 38.6% and Extra Budgetary Resources (EBR) was at 34.1%. However, the actual GBS at the end of 11th plan is at 40.1%. IG at 34.7% and EBR at 25.2%. The GBS component at the end of the 11th five year plan turned out to be 1.5 times higher than the originally planned GBS."

43. Regarding the national projects the Finance Secretary submitted before the Committee as follows:

"The funding was done till two years back always on a reimbursement basis. So, whatever was actually spent by the Railways and they submitted to the Ministry, that much amount was provided without any cut. Their operating ratio has consistently declined and their operating ratio having come down, their internal generation of resources has been inadequate."

44. Planning Commission in their written replies assured the Committee as follows:

"as part of the strategy to promote Railways, the Planning Commission would be significantly enhancing the allocation of funds to the Ministry of Railways during the 12th Plan".

I. Backward Regions Grant Fund

45. On being asked about the Backward Regions Grant Fund (BRGF), the Secretary, Planning Commission stated:

"Backward Regions Grant Fund is a scheme. It is for 250 backward districts in the country and basically in two parts. One is the District component, and the other is the State component. In the District component, the funds are given to the third tier of Government, namely, to the Panchayati Raj institution and District Panchayat by the Ministry of Panchayati Raj, and for the State component, there are three or four major packages, which are currently ongoing and each one is either across many States like the Bundelkhand package, which is across UP and MP or it is the Special Plan for Bihar, Bengal or the Special District Plan for the KBK Districts of Odisha or the Integrated Action Plan (IAP) for the 82 Left-Wing Extremist affected Districts. The kind of expenditure that the Railway project will require, unfortunately, may not fall within the purview of this Grant Fund scheme.

The BRGF is supposed to be a flagship programme in the Twelfth Five-Year Plan of the Central Government, which means that sizeable outlays will be kept, but it is meant to cover below the State level whereas the Railway projects, typically, are of an indivisible nature. It will be very difficult to apportion those funds to projects of this magnitude and size, which the Railways take up."

46. When asked specifically whether the BRGF can be utilized to lay Railway Infrastructure in backward areas for their development, in a written reply, the Planning Commission stated as follows:

"The BRGF funds are allocated to fill-in the critical gaps in infrastructure such as aganwadies, community halls, ITIs etc in local areas, viz village, block, sub-divisions and district. The amount allocated varies in the range

of ₹10 crore to ₹30 crore per district which is too meager for making any contribution towards railway projects. "

II. Cost sharing by State Governments

47. The State Governments have been requested to come forward for sharing cost of funding these projects and allotment of land free of cost for railway projects including socially desirable projects. Some State Governments have already come forward for taking up projects on cost sharing and at present 31 projects (24 new line, 4 gauge conversion and 3 doubling) covering a length of more than 5000 km have been taken up on cost sharing basis with State Governments. **(Annexure-VI).**

48. Elucidating the extra budgetary resources position, the Member (Engineering) of the Ministry of Railways during the evidence submitted before the Committee as follows:

“the money availability is very meagre. We have tried to raise extra budgetary resources. We have told the State Governments that if they want developmental projects in their States, then they should agree for sharing the cost of the project, minimum 50 per cent and maximum to the limit that they want. In addition, they should also provide land free of cost because we found that the cost of land increases tremendously after a project is sanctioned and we find it very difficult to accumulate. Further that the Hon’ble Railway Minister is visiting various States to meet the Chief Minister along with his Ministers and Hon’ble Members of Parliament, and in the meeting a request is made to every State Government that if socially desirable projects are to be completed or to be taken up in their States, they should agree for their contribution because we alone cannot do it.”

49. The Committee were also informed that combined expenditure details are being maintained and the State Governments are being requested to release their share of funds through regular meetings and funds are being released by State Governments as per the progress of project and funds requirement projected by Railways.

50. The Ministry of Railways have further stated in their written reply that 10 State Governments have come forward for sharing cost of the Railway projects. However, share of the State Governments is varying from 25% to 66%. In some of the cases, State Governments are providing land free of cost and sharing 50% cost of the project.

III. Capital Bonds

51. The Ministry of Railway in their Interim Memorandum to the Committee on Rate of Dividend for the year 2011-12 have stated:

“Ministry of Railways is thankful to the Government for permitting raising of ₹ 10,000 crore through issue of tax free bonds, however, borrowing for project financing has its own problems.”

52. Elaborating on utilization of tax free bonds, the Ministry of Railways in a written reply stated as follows:

“Ministry of Finance has permitted the Railways to raise ₹ 10,000 crore through tax free bonds as was also done last year. Indian Railway Finance Corporation Limited (IRFC) mobilized a total amount of ₹7,000 crore through issue of tax free bonds in 2011-12 out of which about ₹ 2,200 crore is being utilized to finance select capacity enhancement projects of doubling and electrification.”

53. It was further mentioned: -

“while IRFC did not face problems of liquidity in raising funds through tax free bonds because of favourable market conditions on the supply side, the borrowings (even the tax free bond component) constitute a costlier option as compared to budgetary support / internal resources. Railways are required to pay lease rental (covering full debt servicing liability including repayment of principle) to IRFC in a time bound manner on the assets financed from market borrowing. As such, it has been considered prudent to use market borrowed fund for financially viable projects only. What needs to be kept in view in addition is that even these viable projects have a long gestations period and take time to yield returns. Besides increasing the repayment liability due to non-servicing of debt during construction phase, the interest cost also rises because of an enhanced risk perception associated with such borrowings. Therefore, the Ministry is of the opinion that funding of projects through tax-free bonds is not sustainable option. In conclusion, the Ministry of Railways is of the view that market

borrowings, including funds raised through tax free bonds, should be used largely for the viable and low gestation period assets.

IV. Public-Private Partnership

54. In their written reply regarding the projects which are being financed or proposed to be financed through Public Private Partnership the Ministry of Railways stated that projects identified for execution through Public Private Partnership, and Joint Venture route include (a) High speed Corridor (Mumbai-Ahmedabad) (b) Elevated Rail Corridor (Churchgate –Virar) (c) Redevelopment of stations (d) Logistics Parks (e) Private freight terminals, leasing of wagons and other freight-marketing schemes (f) Port connectivity and other customer funded projects (g) Dedicated Freight Corridor (Sonnagar-Dankuni) (h) Loco and coach manufacturing units and (i) captive power generation, renewable energy and other energy saving project. There are seven projects which are being planned for implementation through Public Private Partnership (PPP) and are under various stages of project preparation and development.

55. In his budget speech 2012-13, the then Railway Minister stated as follows:

“However, the results of the PPP efforts of the railways have not been encouraging. I have, therefore, had the existing marketing schemes reviewed thoroughly to give them greater market focus, provide greater control to the rail-user by making him a stakeholder and to engage him in the planning process for tailoring a total logistics solution. The existing schemes for Wagons Leasing, Sidings, Private Freight Terminals, Container Train Operations, rail-connectivity projects (R3-I and R2C-i) are being made more attractive to PPP partners.”

V. Non-Lapsable Fund for Railway Projects in North East Region

56. The Ministry of Finance are also providing funds as an additionality for projects of North Eastern region, Udampur-Barramulla, Rishikesh-Karanprayag and Bhanupalli-Bilaspur Beri projects. A Non-Lapsable Fund for railway projects in the north east region has been created recently that will provide sustained funding to expedite progress of these projects. In 2011-12 , an amount of ₹ 1321 crore has been provided for North Eastern Region Rail Development Fund including share of Railways and Ministry of Finance. All the State capitals of this region, except Sikkim, will get connected by rail network in the next seven years. These projects will provide the much needed connectivity to remote, hilly, and backward regions of North East. Gauge Conversion of Rangia-Murkongselek and Lumding-Silchar are in advanced state and with conversion of these major sections, many remote areas of the North East Region will have seamless connection with rest of India.

57. In addition to above, the projects nearing completion are being reviewed regularly to provide desired funds for timely completion.

VI. Accelerated Rail Development Fund (ARDF)

58. As per Vision 2020 document of Indian Railways, an investment of about ₹14,00,000 crore is needed for augmentation of capacity, upgradation and modernization of Railways in the next 10 years. Out of this, about ₹ 5,00,000 crore is proposed to be funded through Accelerated Rail Development Fund (ARDF) to be spent over the next 10 years.

59. According to the Vision 2020 document, an amount of roughly ₹1,00,000 crore would be set aside from the ARDF to clear the pending backlog of socially desirable, new lines and gauge conversion projects as a one time

grant. However, as per a written reply of the Ministry of Railways, ARDF is yet to be constituted.

60. During the evidence before the Committee a representative of the Ministry of Railways submitted : -

“there is also a mention in the Vision 2020 of Indian Railways that an Accelerated Rail Development Fund will be created. Because of acute budgetary situation, the Railways had approached the Government because there was an arrear of ₹2,100 crore last year to be given to us. Since the Government did not consider that proposal very favourably, the Railways have not yet put forward the proposal for the Accelerated Rail Development Fund because that requirement is huge, that requirement is more than ₹4,00,000 crore.”

61. During the oral evidence, the Secretary, Planning Commission submitted before the Committee as follows:

"Vision 2020 is the vision of the Indian Railways. It is not a vision of the people of India or of the Government of India... That has not been discussed either in the House or in the Planning Commission".

62. In this regard, the Ministry of Finance stated that the PMRVY Fund is the proposal which came out of the concept of ARDF.

VII. Pradhan Mantri Rail Vikas Yojana (PMRVY)

63. The then Minister of Railway in his Budget speech for the year 2012-13 has *inter-alia* mentioned that there is an emergent need to connect the remote and backward areas through socially desirable rail connectivity schemes to foster growth. Besides, there are projects of national importance in NE region and Kashmir which are crucial for inclusive growth. The Pradhan Mantri Rail Vikas Yojana (PMRVY) as conceptualized is under formulation. He announced that 114 ‘socially desirable projects’ whose survey reports have been updated are proposed to be included in the list of projects under ‘PMRVY’. Under this

PMRVY Scheme, the additional funding assistance required is assessed to be about ₹ 5 lakh crore from the Government.

64. In his Budget speech, the then Minister for Railways further stated:

“the railways has a large basket of pending projects. Total of 487 projects of new lines, gauge conversion, doubling and railway electrification with a throw-forward liability of over ₹ 1 lakh crore have already been approved in the past and are at various stages of execution. With a grossly inadequate level of budgetary support, most of these projects cannot be completed in a time bound manner. The collective challenge before us is to formulate viable funding mechanisms for these projects which reflect the unfulfilled aspirations of the people and also to provide something to meet the aspirations of the people across the length and breadth of the country and to meet these demands within the available resources.”

65. Regarding the PMRVY, the Ministry of Railways in their written reply stated:

“The Committee have also been informed that under PMRVY, not only the pending socially desirable projects, which are not progressing for want of funds, will be completed, but many other similar projects, which could not be sanctioned earlier, will be taken up. Additional budgetary support in the form of Pradhan Mantri Rail Vikas Yojana (PMRVY) is being sought from the general exchequer. PMRVY is under formulation and will be put up for Cabinet approval. PMRVY envisages creation of a non-lapsable fund of the order of ₹5 lakh crore towards investment in the railways over the next ten years. PMRVY aims at connecting the remote and backward areas through socially desirable rail connectivity schemes to foster growth. It also seeks to bridge the gap between the investment requirements and the expected internal generation as envisaged in the Vision 2020”.

66. When asked about the progress in regard to this scheme, the Ministry of Railways in a written reply stated as follows:

“PMRVY is under formulation stage. A Cabinet note has been initiated in the Ministry of Railways for funding the existing and future socially desirable projects.... The Cabinet note for PMRVY is under inter-ministerial consultation.”

67. However, in a written reply, the Planning Commission stated their views on PMRVY as under:

"The Planning Commission did not agree to the PMRVY Scheme in the form it was formulated and circulated initially. The Planning Commission could re-consider the scheme provided its justification is fully explained and resources are available in the overall allocation from the Ministry of Finance.

Additional GBS is not necessarily the solution to the current problems of Railways. The internal generation of the Railways will have to be stepped up substantially. Reforms should include setting up a Tariff Regulatory Authority for the Ministry of Railways to facilitate higher generation of internal resources by the Ministry."

68. In their written reply as well as oral submission before the Committee, the Expenditure Secretary, Ministry of Finance informed the Committee of their view on PMRVY as under:

"The proposal of PMRVY scheme is totally unrealistic and is completely variance with the situations at ground and the Ministry of Finance did not support the proposal for a PMRVY Fund".

69. The Ministry further added that Ministry of Railways may circulate an EFC note *inter-alia* covering the following:

"The Ministry of Railways may provide the alternative plan of how the Railways would achieve the targets set in its document Vision 2020, without PMRVY Fund from Government of India Gross Budgetary Support materializing at all."

70. On being asked as to how Ministry of Railways could announce PMRVY when the same was not even discussed / approved by Ministry of Finance and Planning Commission, the Member Engineering, Railway Board during the oral evidence stated:

"As of now, we have 115 new line projects which are termed as socially desirable. The total cost is Rs.1.06 lakh crore, out of which 25,000 crore have already been spent and throw forward amount is Rs.81,000 crore. There are 31 gauge conversion socially desirable projects; total cost is Rs.27,500 crore. We have spent Rs.12,500 crore, leaving a throw forward of Rs.15,000 crore. These projects are in the Railway Budget of 2011-12. The list of 114 projects was mentioned. It was said that these projects will be executed under the PM Railway Vikas Yojana (PMRVY). After that a Cabinet Note was mooted for providing a non-lapsable fund of Rs.5 lakh crore for completion of all the socially desirable projects. This has not

found support from the Planning Commission and also the Finance Ministry although it was mentioned in that Budget that PMRVY had the support of the hon. Prime Minister. It is clearly mentioned in the Budget speech of the Railway Minister. It was discussed between the Minister for Railways, the Finance Minister and the Prime Minister. They have not told that you don't proceed with the scheme. They have told that this is a very ambitious scheme, and before Railway embarks upon this, it should increase their internal generation also."

VIII. Expert Committee

71. When asked whether any Expert Committee has been constituted to go into vital issues such as determination of required investment levels, finance mechanism, implementation of the Vision 2020 objectives and funding of socially desirable projects, the Ministry of Railways in a written reply stated as follows:

“An Expert Committee has been constituted for modernization of Indian Railways on 21.09.2011 under the Chairmanship of Shri Sam Pitroda (**Annexure VII**) *inter alia* recommend ways and means to modernize Indian Railways to meet the challenges of economic growth, the aspirations of the common man, the needs of changing technology and the expanding market, while at the same time ensuring adequate focus on addressing social and strategic requirements of the country in consonance with Indian Railways national aspirations. The Terms of Reference (ToR) of the Committee also includes recommendations on strategies for modernization of Railways with a focus on track, signaling, rolling stock and stations and terminals; using ICT for improving efficiency and safety; augmenting existing capacities of Railways through indigenous development and review of projects and PPP issues. The ToR does not specifically include funding of socially desirable projects”.

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PART-II
OBSERVATIONS / RECOMMENDATIONS OF THE COMMITTEE

72. The Committee note that the social burden on the Indian Railways is not a new phenomenon and the Railways, since its inception, have been bearing such obligations. They note that the reach and access of its services is continuously expanded and improved by its human resource and by use of cutting-edge technology. It is a vehicle of inclusive growth, connecting regions, communities, ports and centers of industry, commerce, tourism and pilgrimage across the country. The Indian Railways, therefore, is committed to provide efficient, customer focused and environmentally sustainable integrated transportation solutions. The Committee are aware that Indian Railways is the backbone of India's transport system and has brought about economic development in the areas wherever its network has spread. The Committee were apprised by the Ministry of Finance that they do not define / identify socially backward regions. According to Ministry of Finance each Ministry has its own parameters to identify socially backward regions like the Empowered Action Group (EAG) States under National Rural Health Mission (NRHM), high focus districts for Integrated Child Development Scheme (ICDS), Nirmal Bharat etc and this identification is done by the line Ministries. The Committee find that there is no laid down policy of State-wise categorization regarding identification of projects on socio-economic considerations. They note that the details of projects are maintained zone wise and project wise in Railways and there is no classification of ongoing projects on the basis of backward, tribal and underdeveloped area. The Committee were apprised that the projects are identified based on demands from public representatives, the State Government or as a part of some development plan/strategic plan. They are of the opinion that it is mainly due to this faulty approach and adhocism that about 20 projects taken up on socio-economic considerations are pending for the past 15 to 20 years. They find that physical progress in these projects varied from 0 to 99%. The

Committee feel that proper policy and basis of identification of projects on socio-economic consideration should be mandatory as it will help the Railways in completing the surveys of the projects in time and prioritize the implementation of projects. They recommend that the Railways should clearly lay down policy for identification of areas to be developed through Railway's participation Statewise, identification of projects on socio-economic consideration, develop concrete basis such as economic / development indices / population / demand from public representatives, strategic location, etc. They emphasize that details of projects should be maintained separately for backward, tribal and underdeveloped areas to facilitate proper monitoring of utilization of funds and progress made.

(Rec. Sl. No.1)

73. The Committee strongly feel that there has to be an exclusive monitoring mechanism in the Ministry of Railways for the projects in the backward areas to oversee that the funds are not being diverted and to keep an eye on the progress of the projects. Keeping in view the fund constraints, there is also an emergent need for observing utmost circumspection in the matter of making investment in backward areas. The Committee would also like to emphasize that the basic consideration should be the overall development of backward regions tribal and hilly areas and other under developed areas.

74. The Committee note that Indian Railways has throwforward liability of Rs.1,45,000 crore for the ongoing projects and limited availability of resources including Budgetary Support of about Rs.15,000 crore to Rs.25,000 crore annually. Keeping in view the financial constraints of the Ministry of Railways, the Committee feel that providing total budgetary support for projects in socially and economically backward areas in one go is difficult but at least phase wise allocation may be made. The Committee are of the view that as a commercial organization, the Railways which has a

separate budget of its own with an inherent freedom to formulate their policies, should manage its resources in such a way as to strike a balance between its commercial interest and social obligation of developing backward areas. The Committee, therefore, recommend that the Railways should formulate viable funding mechanism for development of backward areas through routes such as cost sharing by State Governments, getting free land from the beneficiary States and also by generating funds internally through scrupulous implementation of financial discipline, cutting wasteful expenditure and probing other avenues such as commercial use of Railway's surplus land etc., rather than solely being dependent upon Gross Budgetary Support.

(Rec. Sl. No.2)

75. The Committee note that 139 projects of new line and gauge conversion have been taken up for development of backward, tribal, remote, hilly and other under developed areas. Out of these projects, 106 are newline projects and 33 are gauge conversion projects. These have not been considered justifiable on the basis of financial rate of return of 14% and have been taken up primarily on socio-economic consideration. They feel that investment in infrastructure creation without benchmark return ultimately results in deficit financing. The Committee also feel that infrastructure creation helps economic development of the resources. They are of the view that the Railways being the most important segment of infrastructure, the Government should significantly enhance budgetary support to Railways with dedicated non-lapsable funding to ensure completion of vital socio-economic projects on time to achieve inclusive growth and development of backward regions in both tangible and intangible terms. The Committee, therefore, recommend the Government to consider enhancement of Gross Budgetary Support to Ministry of Railways to enable them to complete the on-going projects in backward areas which are otherwise not financially viable while meeting the requirement of

capacity augmentation in line with the growth in economy especially the Vision 2020 targets. The Committee, however, at the same time recommend to the Ministry of Railways to keep their house in order by bringing necessary financial reforms, observing financial discipline and prioritizing their activities by completing the last mile projects first.

(Rec. Sl. No. 3)

76. The Committee note that economic growth of a region is dependent upon multiple factors, apart from availability of rail network which acts as a catalyst for accelerated growth. They feel that an effective coordination amongst all the stakeholders has to be there. Different Ministries of the Government particularly, the Ministry of Railways, Ministry of Finance, Ministry of Environment and Forest, Ministry of Home Affairs, Planning Commission, local MP/MLA/MLC, private entrepreneurs, State Governments and local beneficiaries are all stakeholders and, therefore, they should work in unison with a common goal to develop the area. The Committee are of the view that if such a coordinated system could be put in place, it will help in overcoming hurdles and issues relating to identification of backward areas, acquisition of land, environment clearance, State funding, resolving local resistance, etc. The Committee, therefore, recommend that the Government should ensure proper coordination among the stakeholders with an aim to clear all the impediments and road-blocks to enable timely commencement and completion of vital and strategically important socio-economic projects in backward areas.

(Rec. Sl. No.4)

77. The Committee note that Vision 2020 of Indian Railways addresses one of the biggest development challenges of contemporary India, namely growth with jobs and not jobless growth. There is an emergent need to connect the remote and backward areas through socially desirable rail connectivity schemes to foster growth and fulfill the aspirations of the common man by providing much needed employment opportunities directly

or indirectly through forward and backward linkages so that they can reap the fruits of economic development. They, therefore, feel that productive employment opportunities must be created for all, especially for youth. They are of the view that the development of backward and undeveloped areas by Railways is a step in right direction. It will help to achieve the aims of Vision 2020 and accelerate economic growth, besides opening up new avenues for employment in the primary, secondary and tertiary sectors. The Committee, therefore, recommend, that while developing the remote and underserved areas of the country, the Railways must ensure that employment opportunities for the local unemployed youth are generated so that they become part of the inclusive and integrative growth as also bring them in the national mainstream of development.

(Rec. Sl. No.5)

78. The Committee appreciate the fact that the Ministry of Railways have conceptualized a scheme for development of backward area through Pradhan Mantri Rail Vikas Yojana (PMRVY) which is under formulation. The Committee also welcome the announcement by the Minister of Railways in her Budget Speech for the year 2011-12 that 114 socially desirable projects whose survey reports have been updated, are proposed to be included in the list of projects under PMRVY. They also note that the additional funding assistance required is assessed to be about Rs.5 lakh crore under the PMRVY from the Government. The Committee was, however, apprised by the Planning Commission that PMRVY was not even discussed by the Ministry of Railways before its formulation in the existing form. The Planning Commission does not agree to the PMRVY scheme in the present form. The Committee was also apprised by Ministry of Finance that PMRVY Scheme is totally unrealistic and is completely at variance with the situation on ground and the Ministry of Finance did not support the proposal for a PMRVY Fund. The Committee feel that Ministry of Railways should have discussed the scheme with the Planning Commission

and Ministry of Finance before its formulation and announcement on the floor of the House by the Minister of Railways in her Budget Speech for the year 2011-12. The Committee recommend that the Ministry in the first instance should consider the proposals after detailed consultation / deliberations with the Ministry of Finance and Planning Commission. They should also make other detailed study of those proposals before bringing out the same in their policy document / Future Plans and also explore other avenues of funding it rather than completely depending upon GBS. The Committee also recommend that under PMRVY, projects for the development of the backward regions should be separately identified alongwith the funds needed to complete these projects and separate dedicated non lapsable funds should be earmarked for these projects to facilitate their timely completion.

(Rec. Sl. No. 6)

79. The Committee note that as per the Vision 2020 document of Indian Railways (brought out in 2009), an investment of about Rs.14,00,000 crore is needed for augmentation of capacity addition, up-gradation and modernization of Railways in the next 10 years. They also note that out of this, about Rs.5,00,000 crore is proposed to be funded through Accelerated Rail Development Fund (ARDF) to be spent over the next 10 years and roughly Rs.1,00,000 crore would be set aside from the ARDF to clear the backlog of socially desirable, new lines and gauge conversion projects. They were, however, apprised that ARDF is yet to be constituted. In fact, Railways have not yet even put forward the proposal for the ARDF. The Committee now find that 114 socially desirable projects, whose survey reports have been updated, are proposed to be included in the list of project under PMRVY. PMRVY envisages creation of non lapsable fund of the order of Rs.5,00,000 crore towards investment in the railways over the next ten years. The Committee note that PMRVY fund is the proposal which comes out of the concept of ARDF. The Committee were apprised that

PMRVY is under formulation stage and a Cabinet Note has been initiated in the Ministry of Railways for funding the existing and future socially desirable projects. They do not approve of the approach of the Ministry of Railways to switch over from one scheme to another without ensuring implementation or even having any serious discussion of the proposals in their long term policies such as in Vision 2020 / PMRVY. The Committee do not accept that the Railways being a mammoth organization, employer of the largest number of employees and biggest catalyst in development of regions, should mislead the people by announcing schemes without any concrete basis and support. Prudence demands that the Railways should, while conceptualizing large schemes involving huge expenditure, consult the Ministry of Finance and Planning Commission which are the nodal agencies of the Government of India that supervises the overall development plans of the country. They recommend the Railways to desist from temptation of announcing non-feasible schemes without having financial support, rather they should emphasize that the Railways first prioritize and focus financial closure of their projects and announce any such scheme only after due consultation with the Ministry of Finance and Planning Commission.

(Rec. Sl. No.7)

80. The Committee note that a non-lapsable fund for railway projects in the north-east region has been created recently to provide sustained funding to expedite projects in the region. All the State capital of the region except Sikkim will get connected by rail network in seven years. The Committee feel that being a border State, it is strategically important to connect Sikkim also with rail network with other adjoining States. The Committee, therefore, recommend that all necessary steps should be taken to provide rail network in Sikkim in a time bound manner under the existing non lapsable fund for north east region and apprise the Committee of the same.

(Rec. Sl. No. 8)

81. The Committee were informed that an Expert Committee has been constituted on 21.09.2011 for modernization of Indian Railways under the Chairmanship of Shri Sam Pitroda to, inter-alia, recommend ways and means to modernize Indian Railways to meet the challenges of economic growth, the aspirations of the common man, the needs of changing technology and the expanding market, while at the same time ensuring adequate focus on addressing social and strategic requirements of the country in consonance with Indian Railways national aspirations. The Terms of Reference (ToR) of the Committee also includes recommendations on strategies for modernization of Railways with a focus on track, signaling, rolling stock and stations and terminals; using ICT for improving efficiency and safety; augmenting existing capacities of Railways through indigenous development and review of projects and PPP issues. They are surprised to note that the issue of funding of socially desirable projects was not specifically referred to the Expert Committee of Indian Railways headed by Shri Sam Pitroda. The Committee express their displeasure and feel that the issue of financing of socially desirable projects should have been referred to the Expert Committee for a comprehensive study. The Committee now recommend that the issue of funding of socially desirable projects should be examined separately by an Expert Committee and ways and means, other than Gross Budgetary Support, should be explored to complete projects in time in key areas of development in Railways.

(Rec. Sl. No.9)

82. The Committee acknowledges the significant role being played by the Ministry of Railways in socio-economic development of the country by providing social connectivity to the remote, backward and tribal regions without any financial considerations. They were informed that socially desirable New Line and Gauge Conversion were not financially viable and most of these projects cannot be structured on stand-alone basis and, therefore, Public-Private Partnership (PPP) is not suitable for these projects. The Committee, however, feel that the Railways should be actively involved

and should make efforts to attract funding in rail projects through PPP initiatives which is seen as a major initiative to attract capital for creation of public infrastructure in the approach paper for the 12th Five Year Plan. At the same time, they understand that private funding is difficult to be attracted in areas which are not commercially lucrative and have a long gestation period. The Committee are, therefore, of the view that some sort of incentive in the form of tax relief or tax holidays can be offered to private investors which can attract private sector towards these socially desirable projects in backward areas. They recommend the Ministry of Railways to seriously examine the prospects of PPP in these projects in consultation with the Ministry of Finance and apprise the Committee of the same.

(Rec. Sl. No.10)

83. The Committee find that the facility of tax free bonds to the extent of Rs.10,000 crore has been provided to the Railways in the General Budget (2012-13) to raise funds from the open market. This facility was also made available to the Railways during the Budget year 2011-12. The Committee were informed that Railways have not raised funds through the tax free bonds route to the extent of Rs.10,000 crore due to long gestation period of the railway projects along with high rate of interest (debt-servicing cost of additional borrowing). They, however, feel that though the money cannot be viably used for projects involving huge capital investments with long gestation period yet the same could be fruitfully utilized for the last mile projects with above 90% completion. The Committee recommend that the funds so raised through tax free bonds route may be utilized to complete the last mile projects and such other socially desirable project which are at the final stage of completion so that once these projects are commissioned, returns start flowing.

(Rec. Sl. No.11)

84. The Committee note with concern that the existing criteria for prioritization of projects has led to unproductive results. The Committee

find that because of the large shelf of ongoing projects particularly under new lines and gauge conversion, the limited resources available get spread thinly over a large number of projects leading inevitably to a very long gestation period. The funds invested in the projects get locked up and do not yield any return. The Committee are, therefore, of the view that under the prevailing financial situation, the existing criteria requires a thorough review so as to allocate the funds to the projects based on realistic needs. The priority criteria must lead to a result oriented fund allocation process. The Railways should address the issue of re-prioritization of projects at the earliest so that the scarce and valuable resources are utilized productively. They feel that the Ministry of Railways must work out an effective strategy and prepare a project wise priority of their projects in consultation with the Planning Commission and Ministry of Finance so as to execute those projects first. The Committee, therefore, recommend that the Ministry of Railways must carry out a fresh exercise on re-prioritization of projects in descending orders of necessity, *i.e* extremely essential, desirable and not required at present, zone wise considering the available budget allocation as well as need to complete as many projects as possible within a reasonable time period. They also urge the Ministry of Railway to adopt multi-modal approach to connectivity and review the necessity of their projects in backward regions and strategic locations in the backdrop of the launching of the ambitious national highway programme covering 40000 km as well as the status of completion of Railway projects and throw-forward of such projects. The Committee would like to be apprised of the action taken by the Ministry in this regard.

(Rec. Sl. No. 12)

**New Delhi ;
18 December, 2012
27 Agrahayana, 1934 (Saka)**

**ARJUN CHARAN SETHI,
Chairman,
Railway Convention Committee.**

**MINUTES OF THE THIRTEENTH SITTING OF THE COMMITTEE HELD ON
TUESDAY, THE 29 NOVEMBER, 2011**

The Committee sat from 1500 hrs. to 1640 hrs. in Committee Room 'C', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Arjun Charan Sethi - *Chairman*

Members
Lok Sabha

2. Shri Hansraj Gangaram Ahir
3. Shri Marotrao Sainuji Kowase
4. Shri P. Balram Naik
5. Shri Ramsinh Rathwa
6. Shri Arjun Roy
7. Shri C.L.Ruala
8. Dr. Girija Vyas

Rajya Sabha

9. Shri Shyamal Chakraborty
10. Shri Ranjitsinh Vijaysinh Mohite-Patil
11. Shri Shreegopal Vyas

Secretariat

1. Shri Brahm Dutt - Joint Secretary
2. Smt Abha Singh Yaduvanshi - Director
3. Shri A.K.Munshi - Additional Director

Representatives of the Ministry of Railways (Railway Board)

1.	Shri Vinay Mittal	Chairman, Railway Board & Ex-officio Principal Secretary to the Government of India.
2.	Ms Pompa Babbar	Financial Commissioner, Railways (Railway Board)
3.	Shri Sanjiv Handa	Member Mechanical, Railway Board & Ex-officio Secretary to the Govt of India
4.	Shri A.P.Mishra	Member Engineering, Railway Board & Ex-officio Secretary to the Govt of India
5.	Shri A.K.Vohra	Member Staff, Railway Board & Ex-officio Secretary to the Govt of India
6.	Shri Kul Bhushan	Member Electrical, Railway Board & Ex-officio Secretary to the Govt of India
7.	Shri K.K.Srivastava	Member Traffic, Railway Board & Ex-officio Secretary to the Govt of India
8.	Shri S.Mookerjee	Adviser F (X)
9.	Shri H.K.Jaggi	Adviser (L&A)
10.	Shri H.V.Sharma	OSD / P.R.I

2. At the outset, the Chairman welcomed the Members to the sitting of the Committee and considered Memorandum No.1 regarding selection of subject by the Committee. After due deliberations the Committee decided to change the subject 'Passenger Amenities to 'Passenger Services and Customer Care' for detailed examination of the Committee.

(The Witnesses were called-in)

3. Thereafter, the Chairman welcomed the representatives of the Ministry of Railways (Railway Board). He drew the attention of the witnesses to Direction 55 of 'Directions by the Speaker' regarding confidentiality of proceedings of the Committee. The Chairman, Railway Board briefed the Committee on the subject 'Railway's participation in the development of backward regions'. He explained the term 'Backward Areas' in the context of Railway projects and development of backward areas as a national policy, the basis for the selection of projects sanctioned on socio-economic consideration of backward region and explained about the funding problems faced by the Ministry in execution of such socially desirable projects.

4. The Committee, thereafter, desired the status report on the progress and the target date of completion of the various following projects such as Balurghat-Gajol-Itahar, Udampur-Katra, Katakhal to Bairabi, Lumding-Silchar, Pandurangapurm-Sarapaka, Manoharabad-Kotapalli, Wadsa-Gadchiroli, Baramulla to Banihal, Katra to Banihal, Wardha-Nanded, Nayanpur-Jabalpur and Balaghat-Katangi.

5. The clarifications sought by the Committee on various aspects of the subject were replied to by the witnesses. The Committee desired that the information which was not readily available be furnished by the Railways to the Committee within 10 days.

A verbatim record of the proceedings has been kept.

The Committee then adjourned.

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**MINUTES OF THE 22nd SITTING OF THE COMMITTEE HELD ON
WEDNESDAY, 26 SEPTEMBER, 2012**

The Committee sat from 1500 hrs. to 1630 hrs. in Committee Room 'C', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Arjun Charan Sethi - *Chairman*

Members
Lok Sabha

2. Shri Hansraj Gangaram Ahir
3. Dr. Baliram
4. Shri Marotrao Sainuji Kowase
5. Shri Ramsinh Rathwa
6. Dr. Arjun Ray
7. Shri C.L.Ruala
8. Dr. Girija Vyas

Rajya Sabha

9. Shri Shyamal Chakraborty
10. Shri Rama Chandra Khuntia

Secretariat

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|----|---------------------------|---|---------------------|
| 4. | Shri Brahm Dutt | - | Joint Secretary |
| 5. | Smt Abha Singh Yaduvanshi | - | Director |
| 6. | Shri S.Chatterjee | - | Additional Director |
| 7. | Smt. Juby Amar | - | Deputy Secretary |

WITNESSES

I **Representatives of the Ministry of Finance (Department of Expenditure)**

S.No	Name	Designation
1.	Shri R.S.Gujral	Finance Secretary
2.	Shri Shaktikanta Das	AS (Economic Affairs)
3.	Dr. Rajat Bhargave	JS (Budget)
4.	Dr. Saurabh Garg	JS (PF-II)
5.	Shri N.M.Jha	Director (Budget)

II **Representatives of the Planning Commission**

S.No	Name	Designation
1.	Smt. Sindhu Shree Khullar	Secretary
2.	Dr. Vinita Kumar	Senior Adviser (Transport)
3.	Shri Dr. Manoj Singh	Adviser (Transport)
4.	Shri Om Prakash Sharma	Consultant (Transport)
5.	Shri Ravi Mittal	Adviser (Infrastructure)
6.	Ms. Anjali Goel	Adviser (FR&PAMD)
7.	Mr. B.D.Virdi	Adviser (MLP)

At the outset, the Hon'ble Chairman, on behalf of the Committee welcomed the officials of the Ministry of Finance and Planning Commission to the sitting of the Committee convened for taking evidence on the subjects (i) 'Pending on-going projects of the Ministry of Railways in the country and its time and cost overrun effects; and (ii) Railways participation in the development of backward regions'. The Hon'ble Chairman drew the attention of the witnesses to Direction 55 of the 'Directions by the Speaker' regarding confidentiality of proceedings.

2. The Hon'ble Chairman briefly brought out the facts about 347 pending on-going projects of the Ministry of Railways with a throwforward of ₹1,47,184 crore and huge cost and time overrun due to delay in completion of these pending on-going projects. The Committee discussed the following issues with the Planning Commission and the Ministry of Finance:

- (i) Identification and development of backward areas in the context of railway projects as a national policy;
- (ii) Funding problems faced by Railways in the execution of Railway projects;
- (iii) Extent to which the Planning Commission and the Ministry of Finance could provide additional funds to complete long pending and on going projects through Gross Budgetary Support;

- (iv) Public-Private-Partnership mode of participation in certain projects for bringing commercial & economic gains;
- (v) The joint responsibility of the Planning Commission and the Ministry of Finance in funding the projects by not merely giving in-principle approval but also providing finances;
- (vi) Support by the Planning Commission and the Ministry of Finance to the major schemes of the Railways for enhancing capacity addition such as PMRVY and ARDF etc.;
- (vii) Role of the representatives of the Planning Commission and the Ministry of Finance on the Expanded Boards of Railways during project appraisal by expanded Board and Annual Plan meetings;
- (viii) Reasons for shifting the project appraisal from EFC/PIB to the Expanded Board of the Railways earlier and the proposal for reversal of the same;
- (ix) Need to expedite the 12 national projects where the Ministry of Finance is to provide project cost ranging from 75% to 100% for these projects.

3. The Finance Secretary and the Secretary, Planning Commission dealt with the aforesaid issues in details.

4. The Committee desired that replies to the points on which information was not readily available may be furnished subsequently.

A verbatim record of the proceedings has been kept.

The Committee then adjourned.

**MINUTES OF THE 23RD SITTING OF THE COMMITTEE HELD ON
WEDNESDAY, 07 NOVEMBER, 2012**

The Committee sat from 1100 hrs. to 1230 hrs. in Room No.'53', First Floor, Parliament House, New Delhi.

PRESENT

Shri Arjun Charan Sethi - *Chairman*

Members
Lok Sabha

2. Dr. Baliram
3. Shri Marotrao Sainuji Kowase
4. Shri Ramsinh Rathwa
5. Dr. Arjun Ray
6. Shri C.L.Ruala
7. Shri Radha Mohan Singh (Purvi Champaran)
8. Dr. Girija Vyas

Rajya Sabha

9. Shri A. Elavarasan
10. Shri Parvez Hashmi
11. Shri Rama Chandra Khuntia

Secretariat

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|----|---------------------------|---|---------------------|
| 1. | Shri Hardev Singh | - | Joint Secretary |
| 2. | Smt Abha Singh Yaduvanshi | - | Director |
| 3. | Shri S.Chatterjee | - | Additional Director |
| 4. | Smt. Juby Amar | - | Deputy Secretary |

Representatives of the Ministry of Railways, Railway Board.

S.No	Name	Designation
1.	Shri A.P.Mishra	Member Engineering & Ex-officio Secretary
2.	Ms. Vijaya Kanth	Financial Commissioner, Railways & Ex-officio Secretary to the Government of India.
3.	Shri Kul Bhushan	Member Electrical, Railway Board & Ex-officio Secretary to the Government of India.
4.	Shri D.P.Pande	Additional Member, Traffic
5.	Shri D.K.Saraf	Additional Member, Planning
6.	Shri Kundan Sinha	Adviser (Rates)
7.	Ms. Saroj Rajware	Adviser (Finance)
8.	Shri H.V.Sharma	OSD/PRI

At the outset, the Hon'ble Chairman, on behalf of the Committee welcomed the officials of the Ministry of Railways to the sitting of the Committee convened for taking evidence on the subject 'Railway's participation in the development of backward regions'. The Hon'ble Chairman drew the attention of the witnesses to Direction 55 of the 'Directions by the Speaker' regarding confidentiality of proceedings.

2. The Hon'ble Chairman briefly brought out the facts about 139 ongoing projects of the Ministry of Railways as on date in backward regions. The Committee discussed the following issues with the representatives of the Ministry of Railways:

- (i) Utilization of Backward Region Grant Fund (BRGF) to lay Railway infrastructure in backward regions for their development;
- (ii) Taking approval from Ministry of Finance even for projects costing less than ₹ 300 crores;
- (iii) Reasons for announcement of PMRVY without obtaining the approval of Ministry of Finance / Planning Commission under Vision 2020;
- (iv) Justification for inclusion of two projects which do not fall in the category of National Projects in the list of National Projects;
- (v) Public-Private Partnership mode of participation in certain projects for bringing commercial and economic gains;
- (vi) Need for more financial assistance from General Exchequer for undertaking non-remunerative projects in remote areas;
- (vii) Initiating internal reforms by the Ministry of Railways to enhance their internal funds generation ;

- (viii) Salient features of Master Plan formulated for the development of rail infrastructure in North Eastern Region;
 - (ix) Status of identification / prioritization of the railway projects in descending order of necessity *i.e* extremely essential, desirable and not required at present, zone wise; and
 - (x) Details of last mile projects completed through re-appropriation of funds.
3. The Member Engineering, Railways dealt with the aforesaid issues in details.
4. The Committee desired that replies to the points on which information was not readily available may be furnished subsequently.

The Committee then adjourned.

**MINUTES OF THE 25th SITTING OF THE COMMITTEE HELD ON
THURSDAY, 13 DECEMBER, 2012**

The Committee sat from 1500 hrs. to 1530 hrs. in Committee Room 'E', Basement, Parliament House Annexe, New Delhi.

PRESENT

Shri Arjun Charan Sethi - *Chairman*

Members
Lok Sabha

2. Shri Hansraj Gangaram Ahir
3. Shri Baliram
4. Shri Marotrao Sainuji Kowase
5. Shri R.K.Singh Patel
6. Shri C.L.Ruala

Rajya Sabha

7. Shri D.P.Tripathi

Secretariat

- | | | | |
|----|---------------------------|---|---------------------|
| 1. | Shri Hardev Singh | - | Joint Secretary |
| 2. | Smt Abha Singh Yaduvanshi | - | Director |
| 3. | Shri S.Chatterjee | - | Additional Director |
| 4. | Smt. Juby Amar | - | Deputy Secretary |

At the outset, the Chairman welcomed the Members to the sitting of the Committee. Thereafter the Committee considered and after due deliberations adopted the Draft Report on the subject 'Railways participation in the development of backward regions'.

2. The Committee also authorized the Chairman to finalize the Report and present the same to the Parliament after making consequential changes, if any, arising out of the factual verification by the Ministry of Railways or otherwise.

3. The Committee also decided to undertake study visit to Bengaluru, Chennai, Munnar and Kochi in January, 2013.

The Committee then adjourned.

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